MANITOBA BEEF PROSPECTS

A Range of Opportunities for Growth

Manitoba Beef Prospects is a co-operative project initiated by industry and government to identify opportunities in Manitoba's cattle industry. This initiative will help strengthen the industry by creating new partnerships and a greater awareness of the latest production techniques and marketing strategies. The co-ordinating committee includes members from government, agribusiness, educational and research institutions.

For more information on Manitoba Beef Prospects, please contact:

Your local Manitoba Agriculture and Food office or (204) 945-4937

Manitoba Cattle Producers Association (204) 772-4542

BUILDING A SMALL FEEDLOT IN MANITOBA

Study profit potential to determine the size of your operation

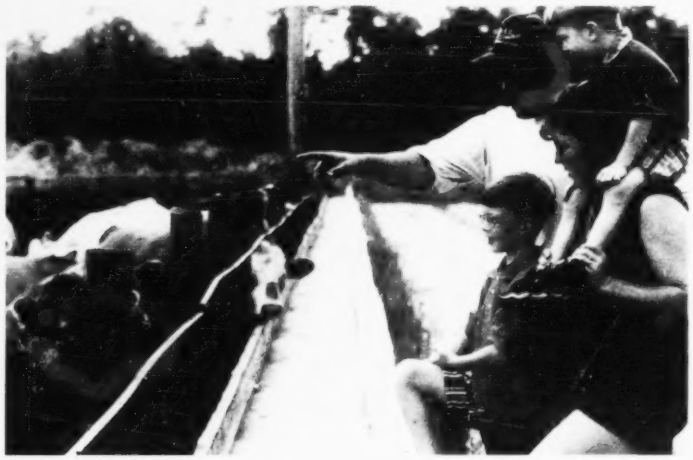
INTRODUCTION

Small feedlots are often established to complement an existing farm operation. "Small" is a relative term. In Alberta, a small feedlot may have a 1,000 head standing capacity, whereas in Manitoba, it may have 100 to 200 head.

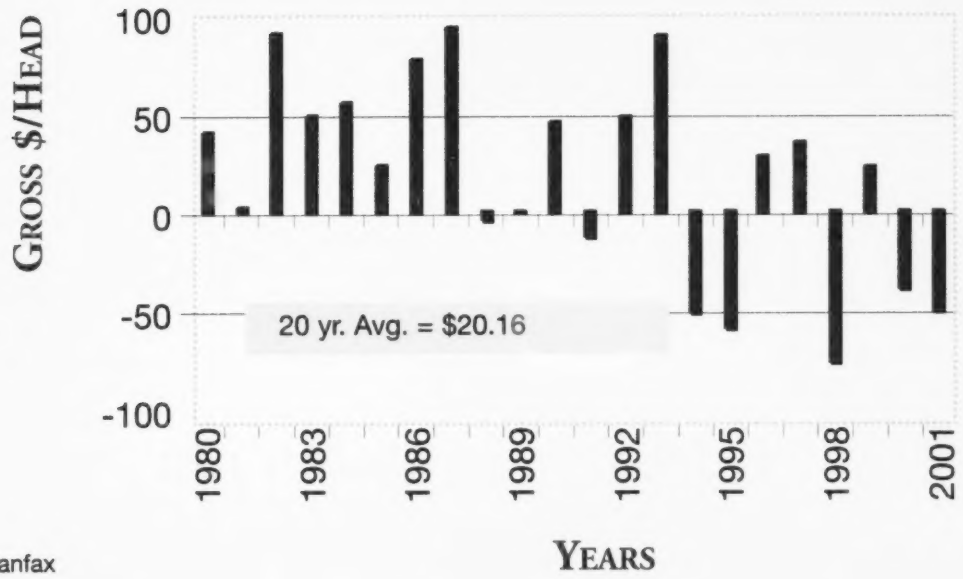
Whatever the size, a feedlot enterprise gives mixed farms the opportunity to diversify the business and market home grown forages and feed grains through cattle. Adding a small feedlot to a grain enterprise can maximize the use of available resources, such as labour and equipment. At certain times of the year, grain producers may have excess labour available that can be used in feeding cattle. The same can be said for machinery. Adding another enterprise can reduce machinery costs per unit. Most grain operations have the necessary equipment to start up a small feedlot. Custom feeding can also become a monthly source of cash flow.

WHAT TO CONSIDER WHEN BUILDING A SMALL FEEDLOT IN MANITOBA

Before starting, new feedlot operators should study potential profitability carefully and



Feedlot Profit/Loss



source:Canfax

understand how interest rates, feeder cattle prices, slaughter cattle prices, feed costs and adverse weather affect the operation.

The cattle industry is driven by a cattle cycle that is periodically beset by low prices. At these times, it may be unprofitable to run a feedlot (see Canfax chart above).

At such times, a small feedlot with relatively low investment can simply be left empty without creating financial hardship. Then, when the cattle cycle turns around to a more profitable position, the feedlot can be filled up again.

Feedlot investment in state-of-the-art facilities typically ranges from $225 to $275 per head in new feedlot construction. However, in a small feedlot of 100 to 200 head, this investment can be reduced to approximately $100 to $125 per head if used equipment is purchased and wood and gravel substituted for steel and cement. With an investment of approximately $20,000, a small feedlot could be built to handle about 200 head.

With an average profit of $20 per head per year, the investment would be returned in approximately five years.

Regulatory Requirements and Environmental Considerations

Producers should be aware that detailed guidelines and protocols exist for herd health management, such as needle injection sites and proper watering practices. For more information contact your local veterinarian or Manitoba Agriculture and Food livestock specialist.

"A feedlot enterprise gives mixed farms the opportunity to diversify the business and market home grown forages and feed grains through cattle."

Livestock operators should also be aware of a number of provincial acts and regulations and local municipal by-laws that could affect the establishment, expansion and management of their facilities.

Municipalities and planning districts have the ultimate responsibility and

authority to regulate land use within their jurisdictions. They use the conditional use permitting process to regulate the location and operation of livestock production units.

The Planning Act is the main mechanism for land use planning at the local government level, guided by the Provincial Land Use Policies Regulation.

A licence may be required under *The Water Rights Act* to withdraw water from a surface or below ground source. For agricultural operations this licence is required when water usage exceeds 25,000 litres per day.

The Farm Practices Protection Act establishes a process for reviewing and mediating nuisance disputes arising from practices of legally established agricultural operations.

The Livestock Manure and Mortalities Management Regulation, under *The Environment Act*, deals with issues arising from spreading manure, application rates of manure, manure management plans, manure storage structures, mortalities, manure spills, setbacks and other pollution issues.

Site Planning

Site selection is one of the most important decisions to make when planning any livestock facility. The selection of a site for a livestock feedlot directly affects the feedlot's success.

The most important things to consider when choosing a feedlot site are:

❑ Bunk Space
Bunk space for back-grounding cattle (400 to 800 lbs.) should be 18 inches per head. Space required for finishing cattle is 9 to12 inches per head.

❑ Pen Space
Most producers find 300 square feet per head adequate.

❑ Slope
The feedlot should drain excess moisture into a retention pond to prevent muddy conditions. A slope of at least two per cent is recommended.

❑ Mounding
Mounds are places for cattle to rest and get away from the mud. The height of the mound ranges from four to six feet.

❑ Soil Type
A soil of 25 per cent or more of clay is ideal. Avoid sandy or fractured rock structure.

❑ Orientation
It is preferable to situate the bunks in a north-south direction in an east-west sloping lot.

❑ Land
Approximately one acre of land is required per 200 head for pen space, alleys and feed roads. Another 1/8 to 1/2 acre of land is needed for the working facilities.

❑ Water
Access to good quality water is a priority. Water consumption can vary according to feed type and environmental conditions. Feeders weighing 500-1000 lbs require 18-45 litres of water per day.

❑ Roads
Municipal roads servicing the feedlot should be able to handle the heavy traffic. Be aware of any load limit restrictions.

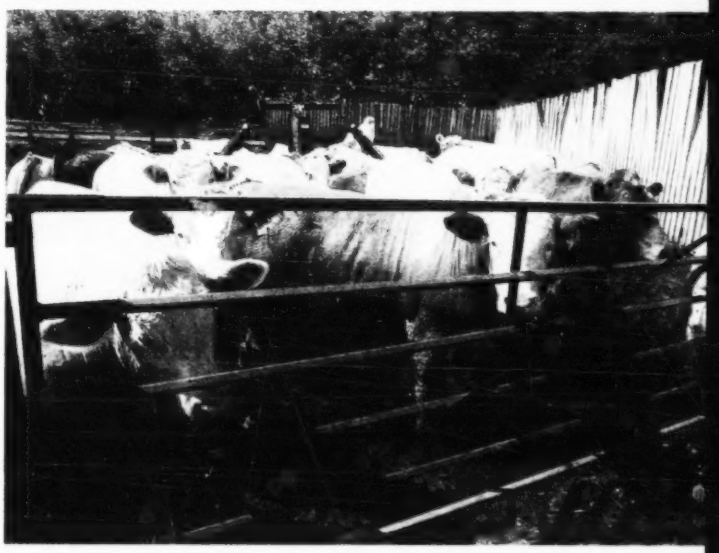
"A small feedlot has the flexibility to close when feeding cattle is not profitable, and can re-open when profit margins improve."

In many cases, the ideal set of conditions cannot be attained. Local conditions will dictate what you can actually do.

Choosing the Right Type of Feedlot Operation

Feedlot operators need to determine the specific market they are producing for in terms of weights, yield and quality grade. Once these are determined, the producer can make decisions concerning what type of cattle to buy, how to feed the cattle and how long to feed the cattle. There are two main types of operations in Manitoba.

❑ Backgrounding Feedlots
These operations feed calves forage-based rations to add size and weight. Typically 400 to 600 pound calves are grown out and sent to finishing lots at eight to 12 months of age weighing 800 to 950 pounds.



❑ Finishing Feedlots
These operations feed yearlings and back-grounded calves grain based rations to produce fed cattle for slaughter. Cattle are generally ready for slaughter at 12 to 16 months of age, weighing 1,200 to 1,400 pounds.

The type of feed available in the area may dictate the type of feedlot. If hay is in great supply, it may be more profitable to background cattle. However, if feed grains are more plentiful, then a finishing lot should be considered.

Cattle Ownership Options

❑ Owner Cattle
This is the simplest form of ownership, where the owner of the cattle and the feedlot are the same person.

❑ Custom Feeding
Individuals retain ownership of the animals, but pay a fee to a feedlot for feeding the cattle. Different kinds of fees apply, such as cost per pound of gain, cost per day, veterinarian fees and the costs of medicine. Custom feedlots provide access to large scale facilities, with production and marketing expertise, without having to make large capital investments.

❑ Investor Cattle
Cattle are owned by an investor, rancher or other client of the feedlot. As in custom feeding, investor cattle are fed and managed for a fee.

❑ Pen Sharing
This is an arrangement where ownership of a percentage of the cattle and pen costs (ie: feed, yardage) are purchased by an individual.

Marketing Options

Because of our central location, Manitoba beef producers can take advantage of alternative markets by choosing the one that offers the highest price. The most common options for marketing cattle include:

❑ Auction Mart
This is a centrally located facility where beef producers take their cattle to be sold. The cattle are sold by auction to the highest bidder. At present, Manitoba has 16 auction markets that sell 500,000 head of cattle each year.

❑ Livestock Dealer/Agent
Dealers/agents will buy or sell livestock on behalf of someone. If they are acting on behalf of the producer, they will attempt to get the best bid and then arrange for trucking, manifests and customs papers.

❑ Forward Contract
This type of contract ensures cattle are pre-sold for a determined price and delivered to the buyer. The animals are paid for at a future date when they reach a specific weight. It is important that you understand all the terms and conditions of the contract before signing.

❑ Direct Sale
This sale occurs when the owner sells directly to a buyer. The buyer may be a dealer or a packer. Packers pay a price based on live weight or rail grade. They usually require a minimum of a semi-load, or 40,000 pounds.

❑ Buying Station
Livestock are purchased from producers at a central location. The producer bears the cost of delivering the livestock to a central location where payment is received based on a pre-determined price.

For more information visit our websites:
www.gov.mb.ca
or
www.gov.mb.ca/agriculture/livestock/beef/mpca

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